



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: March 24, 2015
To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee
Referral to: Council Member John Quincy, Chair, Ways and Means Committee

Subject: Land Sale Public Hearing
Mill City Quarter and Abiitan

Recommendation:

1. Approve the sale of 300 2nd Street South and 428 2nd Street South to Eagle Iron Partners, LLC or Assigned Developers (322 Second Street Apartments, LLP and Ecumen Mill City Quarter, LLC) for a collective price of \$3,161,000.
2. Adopt a resolution authorizing a waiver of the Park Land Dedication requirement contingent on execution and filing of a Parkland Development and Easement Agreement as described herein between the City, the Minneapolis Park and Recreation Board, 322 Second Street Apartments, LLP, Ecumen Mill City Quarter, LLC and Mill Place, Inc.
3. Approve a \$350,000.00 loan in accordance with the attached term sheet.
4. Authorize staff to enter into a Redevelopment Contract(s) and execute any other necessary documents consistent with the attached term sheet.
5. Authorize staff to execute a Parkland Development and Easement Agreement as described herein.
6. If requested by the development entities, terminate the Parking Lease between Canal Street Limited Partnership and the City upon closing.
7. Authorize staff to execute one or more agreements with Ecumen Mill City Quarter, LLC and Eagle Iron Partners directing a portion of the brownfield grant funds awarded to Eagle Iron Partners to be provided to the Ecumen Mill City Quarter, LLC project instead.

Previous Directives: The City acquired 300 2nd Street South and 428 2nd Street South on June 29, 1992.

- January 30, 2015, City Council authorized staff to execute a Reciprocal Access and Maintenance Easement Agreement between the City of Minneapolis and Mill Place, Inc. for access and maintenance of alley right of way on Parcel A.
- December 12, 2014, City Council authorized staff to amend an agreement with Standard Parking for continued parking operations on Parcel A leading up to closing in Spring 2015.
- May 2012, City Council authorized staff to enter into an agreement with Standard Parking for parking operations on Parcel A for three years.

- December 2009, City Council extended exclusive development rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or affiliate) and authorized the Mayor and City Clerk to sign an application for title registration to be filed pursuant to Minnesota Statute 508.03 (6).
- March 6, 2009, City Council awarded exclusive development rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or an affiliate).
- In January 2009, the City Council authorized staff to enter into an agreement with Standard Parking for parking operations on Parcel A.
- May 1993, the Minneapolis Community Development Agency (MCDA) entered into an Operating Agreement with Standard Parking for the operation and maintenance of over 1,000 parking spaces spread throughout several blocks in the Mill District area. This agreement automatically renews every 6 months.

Prepared by: Carrie Flack, Sr. Project Coordinator, Phone 612-673-5240

Approved by: D. Craig Taylor, Executive Director CPED

Charles T. Lutz, Deputy Director CPED

Presenter(s) in Committee: Carrie Flack, Sr. Project Coordinator

Financial Impact

- Land sale proceeds and deferred purchase price payments will be used to repay the City for prior expenditures and obligations related to the property. Of the \$3,161,000 sales price, \$2,811,000 will be received by the City at closing and deposited into Fund 01CLC and a \$350,000 deferred purchase price loan will be recorded on the City's books. The terms of this loan are described in the attached term sheet to this report. It will be a fully amortizing loan to be repaid over 10 years. All future payments of principal and interest on the deferred purchase price loan will also be deposited into Fund 01CLC.
- City parking revenues of approximately \$295,000 per year will no longer be generated on the property.
- Proposed Total CPED Land Assembly Costs Net Sale Proceeds: \$2,332,151

Community Impact

- Neighborhood Notification: Downtown Minneapolis Neighborhood Association reviewed this proposal and recommended it be approved. In addition, the project has received land use and planning approvals which also included notification to the neighborhood group.
- City Goals: Development planned for this site addresses: Living Well, One Minneapolis, A Hub of Economic Activity and Innovation, Great Places, and a City that Works.
- Comprehensive Plan: On July 14, 2014, the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan. Development planned for this site is a mixed use development project in the Mill District and is consistent with a number of goals in the Comprehensive Plan. In addition, the project is consistent with the Historic Mills District Master Plan Update.
- Zoning Code: This existing surface parking is a legally nonconforming use. Surface parking is not allowed in the C3A District. The development project planned for this site is in compliance with the existing zoning. The project has received land use and planning approvals from the Minneapolis Heritage Preservation Commission (HPC) and the City Planning Commission.
- Other: On February 21, 2014, the Planning Staff completed a land sale review of this parcel and approved the proposed development.

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
A-West	300 2 nd Street South	
A-East	428 2nd Street South	\$3,161,000

The lot sizes are 49,782 square feet for Parcel A West and 58,862 square feet for Parcel A East, a total of 108,644 square feet or 2.5 acres.

PURCHASER

Eagle Iron Partners, LLC, 811 LaSalle Avenue, Suite 102, Minneapolis, MN 55402, through Assigned Developers (322 Second Street Apartments, LLP and Ecumen Mill City Quarter, LLC)

PROPOSED DEVELOPMENT:

Parcel A is located on the northeast side of 2nd Street South between 3rd Avenue South and 5th Avenue South. There is an irregularly-shaped parcel owned by Mill Place, Inc. that bisects Parcel A that was former railroad right of way (see attached site plan). Parcel A is thus divided into two parcels, Parcel A West and Parcel A East. All three parcels are currently improved with approximately 400 surface parking spaces operated and maintained by Standard Parking.

City staff issued a Request for Proposals for development on this site in January 2008 and the City Council granted exclusive development rights to Eagle Iron Partners, LLC in December 2009. Staff has been working with Eagle Iron Partners, LLC on clearing title to the property for conveyance, assembling financing and working through development challenges on the site.

The proposed project consists of three components: Mill City Quarter on Parcel A West, a Woonerf which will follow the historic rail corridor between the projects currently owned by Mill Place, Inc., and Abiitan located on Parcel A East.

Mill City Quarter is a six-story mixed-use building with about 150 affordable units primarily to be marketed for senior housing with approximately 15,000 sq. ft. of retail space and 211 below grade parking spaces with 20 surface spaces. Mill City Quarter is being developed by 322 Second Street Apartments, LLP, a limited partnership, the general partner of which has John Wall and Lucy Minn as the primary members.

The Woonerf is a landscaped pathway that will follow the old historic rail corridor right of way, dividing the two buildings and providing future access the Mississippi River. The Woonerf provides for public access through the site for pedestrians and bicycles, approximately 75 surface parking spaces, and vehicular access to both projects. The Woonerf pathway will eventually connect to the amenities along River Road with the development of the Fuji Ya site currently owned by the Park Board. The Woonerf improvements are being developed by 322 Second Street Apartments, LLP in conjunction with the Mill City Quarter project.

Abiitan is a five-story senior housing complex with 104 units of independent senior housing and 45 memory care units with 171 below grade parking spaces. There will also be a restaurant open to the public. Abiitan is being developed by Ecumen Mill City Quarter, LLC which was established in 1923 and currently owns and manages over 2,900 units of senior housing in 37 cities.

The proposed development project has received all planning and land use approvals and plans have been submitted for permit review and issuance. Platting for the property was approved by the City Planning Commission on January 22, 2015. A closing and ground breaking are planned for the project in April 2015.

PARK LAND DEDICATION WAIVER:

The project is seeking a waiver to the Park Dedication Fee requirement in exchange for the commitments from the development entities to complete and maintain the Woonerf Improvements and provide public access. The improvements are depicted on the attached site plan.

Minneapolis Ordinances §598.380 provide three park dedication alternatives for new development, including the dedication of land, the payment of a fee, or the creation of private land maintained for public use. Pursuant to the Parkland Dedication Ordinances for projects in the downtown area, up to 100% of the requirements that a development dedicate land or cash for public park purposes may be waived by the City and Park Board subject to the following conditions:

1. The land area or value of the land and improvements privately developed and maintained for public use for parks, playgrounds, recreational facilities, wetlands, trails, or open space areas must at least equal that required under the Park Dedication Ordinances;
2. Land, facilities, and improvements accepted must be accessible to the public in a manner similar to public land;
3. The City must find that such land and improvements will serve an appropriate public purpose; and
4. The City, Park Board, and developer of the land must have executed a parkland development agreement ensuring that specified land shall be developed and maintained by the developer to Park Board standards, which shall be enforced through a recorded covenant running with the specified land.

The City and the Park Board have found that the park dedication fee assessed to the Mill City Quarter project, if assessed, would be roughly \$3,000 and the park dedication fee assessed to the Abiitan project, if assessed, would be roughly \$58,400 for a total assessment of \$61,400.

Eagle Iron Partners, LLC has requested a waiver of the land or cash dedication requirements of the Parkland Dedication Ordinances for both the Mill City Quarter project and the Abiitan Project in exchange for constructing the Woonerf and maintaining it as private land for public use.

The City and the Park Board have found through their evaluation that the "private land maintained for public use" option in this unique circumstance offers public value in excess of the fee and that the value of the improvements in the Woonerf (estimated at \$431,000 construction cost) substantially exceed the park dedication fee that would otherwise be applied to the project.

On February 18, 2015, the Park Board by Resolution No. 2015-132 approved the execution of the proposed Easement Agreement and subsequent waiver of the land or cash dedication requirement of the Parkland Dedication Ordinances.

The terms of the Parkland Dedication and Easement Agreement being provided in lieu of the Park Dedication Fee meet the requirements as set forth in Minneapolis Ordinances §598.380.

LAND DISPOSITION POLICY:

This property is a buildable lot as defined by City policy and is being sold for development.

FINANCING*:

The total development project cost for Mill City Quarter, including the Woonerf Improvements, is approximately \$36,355,000 and the total development project cost for Abiitan is \$39,815,000 with the total overall development project cost at \$76,170,000. Abiitan is seeking \$31,500,000 in Senior Housing and Healthcare Revenue Bonds (see companion report). The Mill City Quarter project has received a tremendous amount of support from the Metropolitan Council totaling \$2,500,000, Minnesota Housing Finance Agency totaling \$3,160,000 and Hennepin County totaling \$300,000 as well as \$1,500,000 from the City's Affordable Housing Trust Fund program. To close the final gap on the project, the developer has requested to defer payment of \$350,000 of the purchase price for the property. The loan debt will be amortized and fully repaid over 10 years with equal monthly payments at an annual interest rate of 4%. The loan will be repaid in full upon any sale or refinancing of the property. Finally, the project is seeking \$22,000,000 in Tax-Exempt Multifamily Housing Revenue Entitlement Bonds (see companion report). The Entitlement Bonds come with an automatic 4% tax credit, which is equity to the project. The lender, Citi Bank, is bridging the tax credit equity. The tax exempt bond issue will not exceed \$22,000,000. Once the bridged tax credit equity is paid in, the permanent tax exempt bonds will be paid down to approximately \$17,000,000 which is the amount identified below in the sources and uses summary.

Sources and Uses

Sources	Mill City Quarter	Abiitan	Project Total
Permanent Financing	HRB \$17,000,000	Bond \$30,815,000	\$47,815,000
Tax Credit Equity	\$10,275,000		\$10,275,000
Met Council Grants	\$2,500,000		\$2,500,000
Hennepin TOD Grants	\$150,000	\$150,000	\$300,000
Temporary Deposits		\$8,000,000	\$8,000,000
AHTF – HOME	\$1,500,000		\$1,500,000
MHFA Deferred Loan	\$3,160,000		\$3,160,000
City Deferred Purchase Price Loan	\$350,000		\$350,000
Deferred Dev. Fee	\$1,000,000		\$1,000,000
Cash Equity	\$420,000	\$850,000	\$1,270,000
TOTAL	\$36,355,000	\$39,815,000	\$76,170,000
Uses	Mill City Quarter	Abiitan	Project Total
Land Acquisition	\$1,411,000	\$1,750,000	\$3,161,000
Construction Costs	\$26,689,000	\$29,000,000	\$55,689,000
Contingency	\$1,100,000	\$1,000,000	\$2,100,000
Soft Costs	\$7,155,000	\$8,065,000	\$15,220,000
TOTAL	\$36,355,000	\$39,815,000	\$76,170,000

*Subject to application and underwriting requirements.

OFFERING PROCEDURE:

Public Advertisement via the Request for Proposal process completed in 2009. The sale price of this property reflects the full re-use value of the site.

Authorizing sale of land Industry Square Disposition Parcel A.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel A, in the Downtown Minneapolis neighborhood, from Eagle Iron Partners, LLC or its assigned developers, 322 Second Street Apartments, LLP and Ecumen Mill City Quarter, LLC, hereinafter known as the Redeveloper, the Parcel A, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

A-West; 300 2nd Street South

Lots 1, 2, 3, Block 18, Town of Minneapolis. That part of Lots 4 and 5, Block 18, Town of Minneapolis, and that part of vacated 4th Avenue South, dedicated in said plat as California St., lying northwesterly and southwesterly of the following described line:

Beginning at the intersection of the southwesterly line of Block 17, said plat, and its northwesterly extension, with the centerline of said vacated 4th Avenue South; thence northeasterly along said centerline a distance of 29.13 feet; thence northwesterly in a straight line to a point on the southeasterly line of said Block 18 distant 57 feet northeasterly from the most southerly corner of said Block 18; thence northwesterly in a straight line to a point on the northwesterly line of Lot 5, said Block 18, distant 114 feet northeasterly from the most westerly corner of said Lot 5; thence northerly along a curve, concave to the west, having a radius of 297 feet, said curve intersects the northeasterly line of Lot 4, said Block 18, distant 10 feet southeasterly from the most northerly corner of said Lot 4; thence northwesterly along said northeasterly line of said Lot 4 to said most northerly corner of said Lot 4 and said line there terminating.

A- East; 428 2nd Street South

Lot 5, Block 17, Town of Minneapolis. That part of Lots 1, 2, 3, and 4, Block 17, Town of Minneapolis, and that part of Lots 5, 6, and 7, Block 18, said plat, and that part of vacated 4th Avenue South, dedicated in said plat as California St., lying southwesterly of "Line 1" and northeasterly of "Line 2". Said "Line 1" and "Line 2" are described as follows:

"Line 1"

Beginning at the most northerly corner of Lot 7, said Block 18; thence on an assumed bearing of South 30 degrees 26 minutes 20 seconds West, along the northwesterly line of said Lot 7, a distance of 38.89 feet; thence South 09 degrees 01 minutes 33 seconds East, a distance of 47.74 feet; thence southerly a distance of 176.86 feet along a nontangential curve concave the northeast having a radius of 248.13 feet and a central angle of 40 degrees 50 minutes 18 seconds, the chord of said curve bears South 28 degrees 26 minutes 31 seconds East, to the intersection with the northwesterly extension of the northeasterly line of Lot 1, said Block 17; thence South 59 degrees 35 minutes 59 seconds east along the northwesterly extension of said northeasterly line of said Lot 1 a distance of 33.70 feet to the most northerly corner of said Lot 1; thence southeasterly, along the northeasterly line of Lots 1, 2, 3, and 4, said Block 17, to the most easterly corner of said Lot 4 and said line there terminating.

"Line 2"

Beginning at the most northerly corner of Lot 7, said Block 18; thence southwesterly, along the northwesterly line of said Lot 7, a distance of 38.89 feet; thence southeasterly, deflecting to the left 39 degrees 27 minutes 53 seconds, a distance of 47.74 feet; thence

southwesterly, deflecting to the right 89 degrees 20 minutes 09 seconds, a distance of 1.22 feet; thence southeasterly, deflecting to the left 85 degrees 13 minutes 12 seconds, a distance of 47.37 feet, being the point of curvature of a 521.44 foot radius curve, concave to the east, said curve intersects the southwesterly line of said Block 17 at a point distant 130.30 feet northwesterly from the most southerly corner of said Block 17; thence southeasterly along said curve to said southwesterly line of said Block 17; and said line there terminating.

Whereas, the Redeveloper has offered to pay the sum of \$3,161,000, for Parcel A to the City for the land, and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with the accepted methods in aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on March 14, 2015, a public hearing on the proposed sale was duly held on March 24, 2015, at the regularly scheduled Community Development & Regulatory Services Committee meeting of the City Council, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the re-use value for uses in accordance with the Industry Square plan, as amended, is hereby estimated to be the sum of \$3,161,000 for Parcel A.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate City official of the City.

RESOLUTION

of the

CITY OF MINNEAPOLIS

By

Waiving park dedication requirements in exchange for private land maintained for public use.

Whereas, the Minneapolis Code of Ordinances, sections 598.340 to 598.420, and Chapter 15 of the Minneapolis Park Board ("Park Board") Code of Ordinances (the "Park Dedication Ordinances") establish parkland dedication requirements for certain new projects in the City of Minneapolis; and

Whereas, a mixed-use, affordable housing project to be developed at 300 Second Street South (the "Mill City Quarter Project") and a market-rate, senior housing project to be developed at 428 Second Street South (the "Abiitan Project") fall under the terms of the Park Dedication Ordinances; and

Whereas, the Park Dedication Ordinances provide three park dedication alternatives for new development: the dedication of land, the payment of a fee or the creation of private land maintained for public use; and

Whereas, pursuant to the Park Dedication Ordinances for projects in the downtown area, up to one hundred (100) percent of the requirements that a development dedicate land or cash for public park purposes may be waived by the City and Park Board in exchange for the creation of private land maintained for public use subject to the following conditions:

(1) The land area or value of the land and improvements privately developed and maintained for public use for parks, playgrounds, recreational facilities, wetlands, trails, or open space areas must at least equal that required under the Park Dedication Ordinances;

(2) Land, facilities, and improvements accepted must be accessible to the public in a manner similar to public land;

(3) The City must find that such land and improvements will serve an appropriate public purpose; and

(4) The City, Park Board, and developer of the land must have executed a parkland development agreement ensuring that specified land shall be developed and maintained by the developer to Park Board standards, which shall be enforced through a recorded covenant running with the specified land; and

Whereas, the master developer of the Mill City Quarter Project and the Abiitan Project has requested a waiver of the land or cash dedication requirements of the Park Dedication Ordinances for both projects in exchange for construction of an amenity-rich

plaza-street that accommodates automobiles, pedestrians and bicycles adjacent to the Projects on a former rail corridor from First Street South to Second Street South (the "Rail Corridor Property") and in cooperation with Mill Place, Inc. (the "Woonerf"); and

Whereas, the City finds that the agreements negotiated with the owners and developers of the Woonerf Improvements will provide public access to such improvements in a manner similar to public land; and

Whereas, the required park dedication fee for the Mill City Quarter Project would be \$3,000; and

Whereas, the required park dedication fee for the Abiitan Project would be \$58,400; and

Whereas, the value of the Woonerf improvements proposed to be constructed and maintained for public use in conjunction with the Mill City Quarter and Abiitan Projects exceeds \$430,730; and

Whereas, the Park Board staff has been properly consulted in evaluating this waiver request and the terms of the Parkland Development and Easement Agreement;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

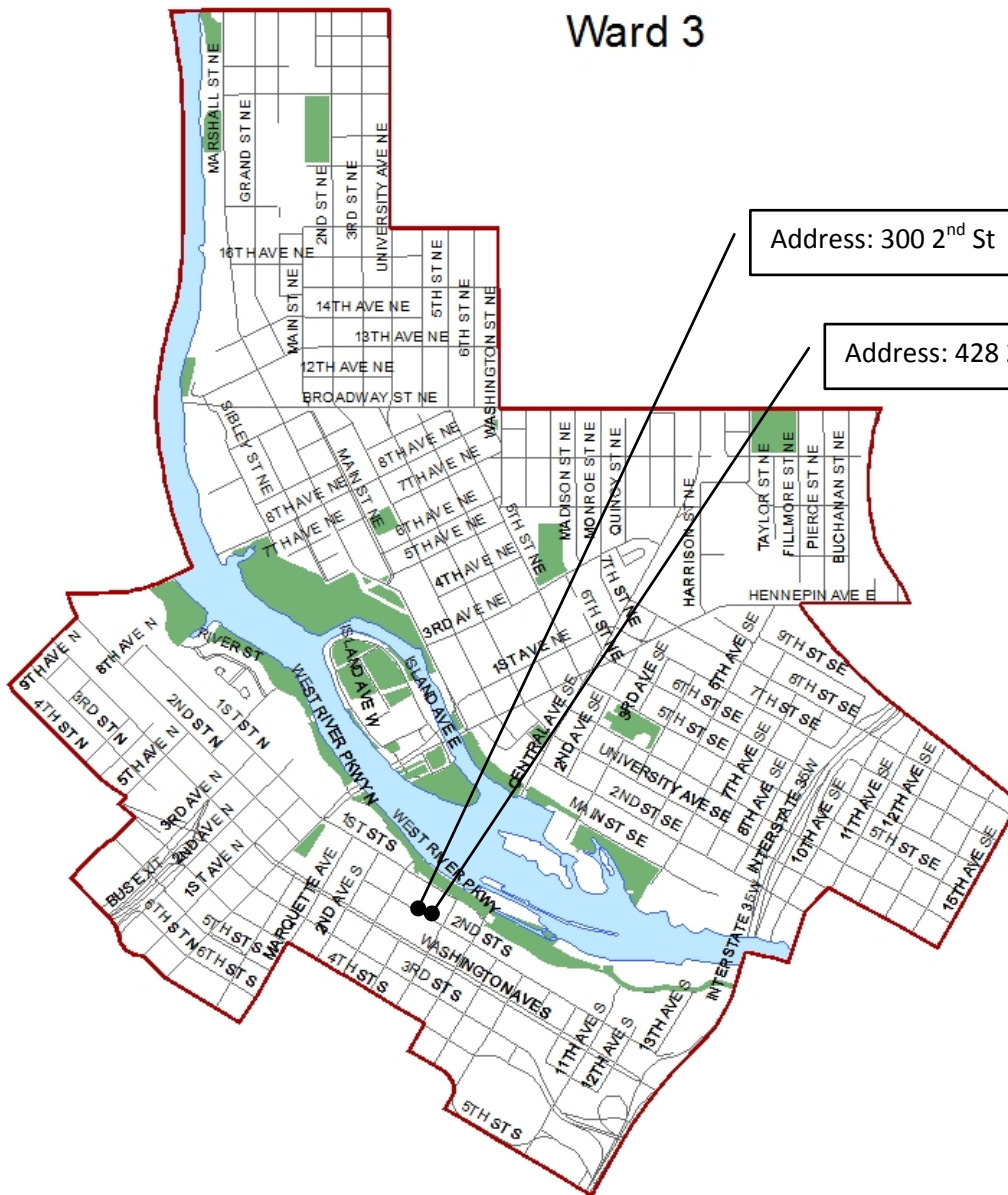
That the above findings are hereby found to be true and correct and are incorporated herein in their entirety.

Be It Further Resolved that the value of the land and improvements proposed to be privately developed and maintained for public use in conjunction with the Woonerf improvements exceed the park dedication fees that would otherwise be applied to the Mill City Quarter and Abiitan Projects.

Be It Further Resolved that the Woonerf improvements shall serve the public purpose of expanding and connecting the public trail system in the project neighborhood.

Be It Further Resolved that the City Council of the City of Minneapolis hereby approves the requested waiver of the land and cash dedication requirements of the Park Dedication Ordinances subject to the execution and recording of a Parkland Development and Easement Agreement by and between the property owners, the City of Minneapolis and the Minneapolis Park Board ensuring that the Rail Corridor Property shall be developed and maintained to Park Board Standards, which agreement shall be recorded and run with the Rail Corridor Property and further authorizes the proper city officials to execute such Parkland Development and Easement Agreement.

Ward 3



Minneapolis
City of Lakes

Community Planning &
Economic Development

CPED Long Range Planning, 12/18/2013



TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: March 24, 2015

Subject: Land Sale – Public Hearing
Mill City Quarter and Abiitan

Address: 300 2nd Street South and 428 2nd Street South

Purchaser: Eagle Iron Partners, LLC (322 Second Street Apartments, LLP and Ecumen Mill City Quarter, LLC)

	A	B	C	D	E	F	G
Address	Purchase Price	Acquisition/ Demolition/ Other Costs	Total CPED Cost to Assemble (A+B)	Re-Use Value Opinion	Sale Price	CPED Cost Write-Off or Sale Proceeds (if > 0) (E-C)	Re-Use Value Write Down (E-D)
300 & 428 2nd Steet South	\$800,000	\$28,849	\$828,849	\$3,161,000	\$3,161,000	\$2,332,151	\$0
Total	\$800,000	\$28,849	\$828,849	\$3,161,000	\$3,161,000	\$2,332,151	\$0

Developer Information:

- ☐ Single Individual(s)
☐ Married Individual(s)
☒ Limited Liability Partnership of the State of Minnesota
☒ Limited Liability Company of the State of Minnesota
☐ Corporation of the State of Minnesota
☒ Nonprofit Corporation of the State of Minnesota
☐ Other